

Message Text

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596; HELSINKI A-75, 4/19/74

1. SUMMARY: FINNISH POLICY ENCOURAGES AND GRANTS NATIONAL TREATMENT TO DIRECT FOREIGN INVESTMENT EXCEPT IN CERTAIN SELECTED ACTIVITIES. THE MINISTRY OF TRADE AND INDUSTRY HAS THE RESPONSIBILITY TO FOLLOW THE BUSINESS ACTIVITIES PURSUED BY FOREIGNERS IN FINLAND. BEST AVAILABLE ESTIMATES OF MAGNITUDE OF US DIRECT INVESTMENT FOR 1975 ARE GIVEN. END SUMMARY.

2. DIRECT FOREIGN INVESTMENT IN FINLAND IS ENCOURAGED EXCEPT IN THE FOLLOWING PROSCRIBED INDUSTRIES: RADIO AND TV BROADCASTING, IMPORT AND EXPORT OF ALCOHOL, BANKING, TRADE
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IN REAL ESTATE, TRADE IN FOREIGN CURRENCY, PRODUCTION

OF ATOMIC ENERGY, WRITING OF INSURANCE, DOMESTIC AVIATION, COASTAL SHIPPING, PHARMACY, MINING, FOREST EXPLOITATION AND PETROLEUM REFINING.

3. FINNS PARTICULARLY WELCOME DIRECT FOREIGN INVESTMENT WHICH EITHER INCREASES EXPORTS OR DECREASES THE NEED FOR IMPORTS. FINNS ALSO WANT TO ATTRACT INVESTMENTS WHICH WOULD BRING IN ADVANCED TECHNOLOGY.

4. APPROVAL FROM THE BANK OF FINLAND IS REQUIRED TO IMPORT CAPITAL FOR THE ESTABLISHMENT OF A FIRM. DEPENDING ON THE NATURE OF THE BUSINESS, APPROVAL IS ALSO REQUIRED FROM THE MINISTRY OF TRADE AND INDUSTRY AND/OR THE MINISTRY OF INTERIOR.

5. IN THE MINISTRY OF TRADE AND INDUSTRY THERE IS A COMMISSION WHOSE TASK IS TO REPORT TO GOVERNMENT AUTHORITIES ON MATTERS CONCERNING DIRECT FOREIGN INVESTMENT. THE COMMISSION IS TO FOLLOW FOREIGN BUSINESS ACTIVITIES IN FINLAND, TO COLLECT NECESSARY DATA AND TO MAKE PROPOSITIONS FOR THE DEVELOPMENT OF LEGISLATION AND ADMINISTRATION.

6. AS A GENERAL RULE, FOREIGNERS MAY PURCHASE UP TO 20 PERCENT OF THE CAPITAL STOCK OF EXISTING FINNISH FIRMS. THE ARTICLES OF CORPORATION FOR A FINNISH ENTERPRISE MUST BE CHANGED WITH THE APPROVAL OF THE MINISTRY OF TRADE AND INDUSTRY IF MORE THAN A FIFTH OF THE ENTERPRISE IS OWNED BY FOREIGNERS. ALL TAKEOVERS OF FINNISH FIRMS BY FOREIGNERS ARE CLOSELY EXAMINED BY GOVERNMENT OFFICIALS.

7. IN PRINCIPLE THERE IS NO OBJECTION TO THE REMITTANCE OF DIVIDEND PAYMENTS TO NON-FINNISH NATIONALS. THE BANK OF FINLAND MAY GRANT PERMISSION TO REMIT DIVIDENDS TO FOREIGNERS EITHER WHEN THE FIRM IS ESTABLISHED OR LATER ON A CASE-BY-CASE BASIS. REPATRIATION OF INVESTED CAPITAL MUST HAVE THE APPROVAL OF THE BANK OF FINLAND. SUCH APPROVAL IS USUALLY GRANTED.

8. ONCE A FOREIGN FIRM HAS A CHARTER IN FINLAND IT MAY
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ENJOY ALL GOVERNMENTAL SUBSIDIES WHICH ATTEMPT TO DIRECT INVESTMENT TO DEPRESSED ECONOMIC AREAS.

9. DIRECT FOREIGN INVESTMENT IS SMALL IN FINLAND WHEN COMPARED TO FOREIGN LOANS AND PORTFOLIO INVESTMENT. IN 1974 DIRECT FOREIGN INVESTMENT AND FOREIGN LOANS TO SUBSIDIARIES IN FINLAND TOTALED 140 MILLION MARKS. THESE CAPITAL TRANSFERS FINANCED LESS THAN 3 PERCENT

OF FINLAND'S CURRENT ACCOUNT DEFICIT.

10. INVESTMENT STATISTICS FROM BANK OF FINLAND CAPITAL
TRANSFER DEPARTMENT INDICATE THAT:

A) CUMULATIVE US DIRECT INVESTMENT IN SHARE CAPITAL
(NOMINAL VALUE) TERMS AT THE END OF 1974 WAS ABOUT
DOLS 61 MILLION. NOMINAL SHARE CAPITAL DOES NOT INCLUDE
RETAINED EARNINGS, CONTINGENCY FUNDS NOR LOANS FROM
FOREIGN PARENT COMPANY TO SUBSIDIARIES. TOTAL US
DIRECT INVESTMENT IN FINLAND IS PROBABLY IN THE
NEIGHBORHOOD OF DOLS 100 MILLION. ACCORDING TO ROUGH
BANK OF FINLAND ESTIMATES, TWO-THIRDS OF THE NUMBER OF
US-OWNED FIRMS ARE ENGAGED IN TRADE AND MARKETING, THE
REST CONSISTING OF MANUFACTURING AND OTHER ENTERPRISES.
THERE ARE NO US FIRMS FOUND IN MINING AND PETROLEUM
REFINING.

B) CUMULATIVE DIRECT INVESTMENT OF ALL COUNTRIES
IN SHARE CAPITAL (NOMINAL VALUE) AT THE END OF 1974
WAS ABOUT DOLS 207 MILLION. AGAIN THIS FIGURE UNDERESTIMATES
THE BOOK VALUE OF DIRECT FOREIGN INVESTMENT IN FINLAND.
THE TOP THREE COUNTRIES WERE:

SWEDEN	32 PERCENT
USA	29 PERCENT
NETHERLANDS	10 PERCENT

C) DIRECT INVESTMENT IN THE US BY FINNS --
NO FIGURE IS AVAILABLE FROM BANK OF FINLAND.
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